

Message Text

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AMCONSUL LENINGRAD
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LIMITED OFFICIAL USE SECTION 1 OF 2 WARSAW 7488

E.O. 11652: N/A
TAGS: EMIN, EIND, ETRD, PL
SUBJECT: VISIT TO THE LUBIN COPPER COMPLEX NEAR POZNAN

1. SUMMARY. DURING A RECENT VISIT TO THE LUBIN COPPER
COMBINE IN SOUTHWEST POLAND, ONE OF THE LARGEST OF ITS
KIND IN THE WORLD, EMBASSY AND CONSULATE POZNAN OFFICERS
FOUND PRODUCTION EXPANDING STEDILY. PLANNED 1978 OUTPOUT
IS 360,000 TONS AND THE LONG-RANGE TARGET IS 500,000 TONS
PER YEAR BY 1985. ABOUT SIXTY PERCENT OF CURRENT PRODUC-
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TION IS FOR DOMESTIC REQUIREMENTS WITH THE REMAINDER GOING
PRIMARILY TO THE GDR, WEST GERMANY, FRANCE AND
BELGIUM. NEW MINES, SMELTERS AND ROLLING MILLS
ARE BEING CONSTRUCTED IN THE LUBIN AREA, MANY OF
THEM FINANCED BY WESTERN CREDITS. LABOR IS HIGHLY
PAID BY POLISH STANDARDS AND, SIGNIFICANTLY, LUBIN
WORKERS ARE ASSURED OF ADEQUATE SUPPLIES OF MEAT

THROUGH SPECIAL STORES WHOSE NUMBER IS BEING RAPIDLY EXPANDED. OVERALL, THE LUBIN COMPLEX PRESENTS A PICTURE OF ACTIVE, DYNAMIC DEVELOPMENT OF ONE OF POLAND'S MAJOR NATURAL RESOURCES. THE POLES APPEAR CONFIDENT THAT IT WILL PROVE SUCCESSFUL AS AN EXPORT INDUSTRY DESPITE THE CURRENT DEPRESSION IN WORLD COPPER PRICES. END SUMMARY.

2. ON AUGUST 22 AND 23 US CONSUL AND POZNAN AND EMBASSY ECONOMIC OFFICER VISITED PARTS OF THE LUBIN COPPER MINING-SMELTING COMBINE ABOUT 120 KILOMETERS SOUTH-WEST OF POZNAN. THEY ALSO MET WITH THE WOJEWODA OF LEGNICE PROVINCE, JANUSZ OWCZAREK.

3. THE LUBIN COMBINE IS ONE OF THE LARGEST OT ITS KIND IN THE WORLD. ITS PRODUCTION MAKES POLAND ONE OF THE WORLD'S PRINCIPAL COPPER PRODUCERS AND EXPORTERS. LARGE CREDITS FROM US AND OTHER WESTERN BANKS HAVE BEEN USED TO FINANCE LUBIN'S DEVELOPMENT. THE MOST RECENT OF THESE WAS IN FEBRUARY OF THIS YEAR WHEN A FIFTEEN-BANK SYNDICATE MANAGED BY CHASE MANHATTAN UNDERWROTE A 250 MILLION DOLLAR LOAN FOR DEVELOPMENT OF TWO NEW LUBIN PROJECTS, THE BUILDING OF THE ORSK SMELTER AND CONTINUOUS CASTING WIRE ROLLING MILL, AND THE OPENING OF A NEW MINE AT SIEROSZOWICE WITH A PLANNED PRODUC-LIMITED OFFICIAL USE

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TION OF 5.5 MILLION TONS OF ORE IN THE FIRST YEAR OF PRODUCTION AND 9.5 MILLION TONS ANNUALLY THEREAFTER.

4. THE COMBINE'S TOTAL REFINED COPPER PRODUCTION WAS 315,000 TONS IN 1977. PLANNED PRODUCTION IS 360,000 TONS IN 1978 AND 400,000 TONS IN 1979. TOTAL PRODUCTION IS EXPECTED TO REACH 500,000 TONS PER ANNUM BY 1985 BUT THERE ARE NO PLANS TO INCREASE PRODUCTION BEYOND THAT RATE. THE KNOWN ORE RESERVES ARE SUFFICIENT TO LAST FOR 35 YEARS AT THE PLANNED RATES OF PRODUCTION ACCORDING LUBIN OFFICIALS.

5. THE CHAIRMAN OF THE LEGNICE PLANING COMMISSION ROMULD JASINSKI SAID THAT THE SALE OF BY-PRODUCTS FROM THE COPPER REFINING PROCESS, PRINCIPALLY SILVER, PRODUCES ENOUGH REVENUE TO COVER "MORE THAN 100 PER CENT, PERHAPS 110 PERCENT OF DIRECT MINING COSTS."

6. APPROXIMATELY 60 PERCENT OF THE COPPER PRODUCED IS CONSUMED DOMESTICALLY AND 40 PER CENT IS EXPORTED, PRINCIPALLY TO FRANCE, BELGIUM, AND GERMANY (FRG

AND GDR).

7. THE WOJEWODA PROUDLY CLAIMED THAT ABOUT 70 PER CENT OF THE MINING EQUIPMENT IS USED AT THE COMBINE IS PRODUCED IN POLAND, MAINLY IN WROCLAW, AND THAT MOST OF THE TECHNOLOGY USED IN ITS PRODUCTION IS ALSO OF POLISH ORIGIN. HE ALSO ALLEGED THAT VERY LITTLE OF THE IMPORTED EQUIPMENT IS IN THE FORM OF COMPLETE MACHINES BUT RATHER CONSISTS OF PARTS AND/OR SUBASSEMBLIES WHICH ARE USED IN LOCAL PRODUCTION. HOWEVER, DURING A TOUR OF THE RUDNA MINE EMB AND CONOFF SAW FRENCH (JOYA), AMERICAN, AND SOVIET EQUIPMENT BEING USED AS WELL. A PLANNED DEMONSTRATION OF A SOVIET ORE-LOADING MACHINE LIMITED OFFICIAL USE

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WAS NOT PERFORMED BECAUSE THE MACHINE BROKE DOWN WHEN THE OPERATOR ATTEMPTED TO START IT.

8. THE ORSK PROJECT IS PLANNED TO REQUIRE A MINIMUM OF US \$160 MILLION OF EXPENDITURES FOR PURCHASE OF IMPORTED WESTERN EQUIPMENT IN THE ROLLING MILL INCLUDES ELECTRICAL MACHINERY AND CONTROL FROM ASEA OF SWEDEN, ROLLING MILL FROM HAZELETT OF ENGLAND, ROLLING MILL EQUIPMENT FROM KRUPP IN THE FRG AND A US-SUPPLIED CONTINUOUS CASTING FURNACE. IN RESPONSE

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TO A QUESTION, PLANNING COMMISSION CHAIRMAN JASINSKI ADMITTED THAT CONSIDERABLE FOREIGN EXCHANGE LOSSES HAD BEEN SUFFERED BY THE COMBINE AS A RESULT OF THE RECENT RAPID DECLINES IN US DOLLAR EXCHANGE RATES. THE RECENT LOAN FROM CHASE MANHATTAN, DENOMINATED IN US DOLLARS, IS BEING USED TO BUY EQUIPMENT IN WESTERN EUROPE.

9. THE JOWEWODA SAID THERE ARE CONTINUING DIFFICULTIES WITH LABOR SHORTAGES IN THE MINING COMPLEX. HE LIMITED OFFICIAL USE

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ATTRIBUTED THEM TO THE RAPID RATE OF EXPANSION AND CLAIMED THEY WERE BEING SOLVED. HE ALSO SAID THAT THE AVERAGE WAGE FOR MINING AND CONSTRUCTION WORKERS IN THE PROVINCE IS BETWEEN EIGHT AND NINE THOUSAND ZLOTYS PER MONTH (ABOUT US \$250 TO \$281 AT THE OFFICIAL EXCHANGE RATE) WITH SKILLED TRADESMEN AND MACHINE OPERATORS EARNING BETWEEN TEN AND TWELVE THOUSAND ZLOTYS PER MONTH. (COMMENT: THESE ARE VERY HIGH WAGES BY POLISH STANDARDS AND ARE APPARENTLY NECESSARY TO ATTRACT SUFFICIENT LABOR TO THE MINES AND ALSO TO COMPENSATE FOR DIFFICULT WORKING CONDITIONS. END COMMENT.)

10. NEW INHABITANTS OF THE PROVINCE ARE GENERALLY FORCED TO LIVE IN HOTELS FOR A PERIOD OF BETWEEN SIX MONTHS AND ONE YARE WHILE AWAITING AN APARTMENT. LUBLIN MINERS APPEAR TO BE ASSURED OF ADEQUATE MEAT SUPPLIES. THE WOJEWODA SAID THAT THERE HAS BEEN A RECENT HIGH-LEVEL DECISION TO "ACCELERATE" THE BUILDING OF A NETWORK OF "COMMERCIAL" SOTRES WHERE HIGH-QUALITY MEAT CAN BE PURCHASED AT PRICES MUCH

HIGHER THAN THAT FOR SALE IN ORDINARY MEAT STORES.
THERE ARE NOW FOUR SUCH STORES IN LEGNICE PROVINCE
BUT THE NUMBER WILL BE INCREASED TO FORTY BY
1980 OR 1981.

13. COMMENT. THE LUBIN COPPER COMPLEX IS IMPRES-
SIVE IN MANY RESPECTS. SHEER SIZE IS ONE; THE
NUMBER OF CONSTRUCTION PROJECTS UNDERWAY IS ANOTHER.
IT SEEMED AS THOUGH EVERYWHERE ONE LOOKED THERE WAS
A CONSTRUCTION PROJECT AT SOME STAGE OF COMPLETION.
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IN SPITE OF LOW WORLD MARKET PRICES FOR COPPER IT IS
CLEARLY ONE OF POLAND'S MOST DYNAMIC INDUSTRIES AS
WELL AS A LARGE EARNER OF SCARCE CONVERTIBLE CURRENCY.
LOCAL OFFICIALS WERE GENERALLY CANDID ABOUT THE
VARIOUS PROBLEMS THEY ARE FACING. BUT ALL GAVE THE
IMPRESSION OF BEING CONFIDENT THAT NO INSURMOUNTABLE
DIFFICULTIES EXIST TO PREVENT THEM FROM ACHIEVING
PLANNED PRODUCTION. THEY ARE CONSIDERABLE LESS SECURE
CONCERNING FINANCIAL MATTERS AND THEY WENT TO SOME
LENGTHS TO PROVE THAT WORKER PRODUCTIVITY IS VERY HIGH.
THEIR COSTS OF PRODUCTION MAY, HOWEVER BE HIGH
IN COMPARISON TO COMPETING PRODUCERS GIVEN THE
HIGH WAGES PAID AND THE DIFFICULT TECHNICAL
BARRIERS TO MINING AT SUCH DEPTHS (1000 METERS).
END COMMENT.
SCHAUFEL

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